

## Message Text

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ACTION EB-07

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P 120907Z MAR 76  
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TO USDOC USTS WASHDC PRIORITY  
INFO SECSTATE WASHDC 7654

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E.O. 11652: N/A

TAGS: ETRD

SUBJECT: JAPAN FY78 BUDGET INPUT

SUMMARY: OUTLINES AND DOCUMENTS PROGRAM BY PROGRAM BUDGET  
RECOMMENDATIONS FOR USTS/TOKYO. END SUMMARY

JW-6-564 RE WALL-6-361-ADM. SUBMITTED BELOW ARE FY78 BUDGET  
RECOMMENDATIONS AND JUSTIFICATIONS FOR EACH PROGRAM AREA.  
PLEASE NOTE WE ARE ALSO RECOMMENDING SOME ADJUSTMENTS IN THE  
FY77 ALLOCATIONS.

1. PROGRAM 1711, LITERATURE: FOR FY78, RAISE ALLOCATION BY  
DOLS\$5,000 TO DOLS\$90,000 DUE TO EXPECTATION THAT NEW MATERIALS  
WILL HAVE TO BE TRANSLATED, TYPESET AND PRINTED. ALSO DEFINITELY  
ANTICIPATE CONSIDERABLE RISE IN PAPER AND PRINTING COSTS.

2. PROGRAM 1712, MAIL HOUSE: RAISE BY DOLS\$7,000 OVER FY76  
LEVEL TO DOLS\$25,000 FOR FY77. MANDATORY DUE TO RECENT HIKE  
IN POSTAL RATES OF 100-150 PERCENT EFFECTIVE JANUARY 1976.  
RAISE FY78 LEVEL TO DOLS\$33,000 DUE TO INCREASED POSTAL RATES  
PLUS INCREASED MAIL HANDLING AND COUPON FULFILLMENT REQUIREMENTS  
CAUSED BY EXPECTED INCREASE IN NUMBER OF COUPON RETURNS.

3. PROGRAM 1721, SEMINARS: INCREASE FY78 ALLOCATION TO  
DOLS\$30,000 DUE TO HIGHER COST OF DOING BUSINESS IN JAPAN AS  
RESULT OF CONTINUING INFLATIONARY SPIRAL. SUGGEST THIS PROGRAM  
CATEGORY BE COMBINED TO INCLUDE SEMINARS (1721), MAIL HOUSE  
(1712) AND LITERATURE (1711) INTO SINGLE CATEGORY ENTITLED  
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QUOTE MARKET PROMOTION UNQUOTE IN ORDER TO ACQUIRE GREATER

FLEXIBILITY TOWARD ACHIEVING OUR ULTIMATE MARKET PROMOTION/ DEVELOPMENT GOALS. ENOUGH FLEXIBILITY IN THIS ACCOUNT SHOULD BE ALLOWED TO INCLUDE OUR PARTICIPATION IN CONSUMER PROMOTIONS SUCH AS TRAVEL DISPLAYS, DEPARTMENT STORE AND OTHER TIE-IN OPPORTUNITIES IN CONJUNCTION WITH EMBASSY-SPONSORED/ENDORSED PROJECTS, AND TRAVEL INDUSTRY CONSUMER-ORIENTED PROMOTIONS. TRAVEL AGENTS SEMINARS ONLY CATEGORY IS FAR TOO RESTRICTIVE TO ALLOW FOR MAXIMUM RETURN ON INVESTMENT.

4. PROGRAM 1521, TRADE ADVERTISING: RAISE FROM DOLS5,000 IN FY76 DOLS15,000 IN FY77 AND DOLS20,000 IN FY78. ABOVE INCREASES REQUIRED IN ORDER TO ALLOW FOR MANDATORY FLEXIBILITY IN LOCAL PLACEMENT OF TRADE ADS ABOVE AND BEYOND BASE CONSUMER/TRADE CAMPAIGN BECAUSE EXCELLENT AD HOC OPPORTUNITIES, CONSISTENT WITH CMP OBJECTIVES, CONSTANTLY ARISE. ABOVE AMOUNTS WOULD BE INTEGRAL PART OF POST'S TOTAL ADVERTISING BUDGET.

5. CONSUMER ADVERTISING: IN CY75 JAPAN SUPPLIED MORE VISITORS TO THE U.S. THAN THE TWO LEADING EUROPEAN SUPPLIERS COMBINED AND 46 PERCENT OF ALL VISITORS EMANATING FROM OVERSEAS COUNTRIES WHERE USTS MAINTAINS FIELD OFFICES. IN TERMS OF REVENUE, JAPANESE VISITORS SPEND DOLS400 MILLION IN THE U.S., OR DOLS55 MILLION MORE THAN DID VISITORS FROM THE U.K., GERMANY AND FRANCE COMBINED. WHOLESALERS AND RETAILERS PREDICTING BANNER YEAR FOR U.S. TRAVEL BY JAPANESE IN BICENTENNIAL YEAR WITH INCREASES RANGING BETWEEN 15 AND 30 PERCENT. KEEPING ALL OF ABOVE IN MIND, AND IN ORDER TO MAINTAIN THE MOMENTUM GENERATED BY THE BICENTENNIAL AND THE MONTREAL OLYMPICS IN THE ENSUING YEARS, IT IS IMPERATIVE THAT A GREATER PORTION OF THE USTS ADVERTISING BUDGET BE ALLOCATED TO JAPAN. THEREFORE, WE PROPOSE THAT FY77 CONSUMER/TRADE ADVERTISING FUNDS FOR JAPAN BE RAISED TO DOLS500,000 AND FY78 BUDGET BE INCREASED BY FIFTY PERCENT TO DOLS750,000. WHILE WE ACKNOWLEDGE JAPAN MEDIA COSTS MAY BE HIGHEST IN THE WORLD, WE ALSO RECEIVE HIGH RATE OF RETURN PER AD DOLLAR INVESTED (PLS REFER TO TSD JW-6-244, 10/8/75, TRANSMITTING AD COUPON REDEMPTION BREAKDOWN FOR FY75 CAMPAIGN.)

6. PROGRAM 1612, PRODUCT INFORMATION: REQUIRE INCREASE IN FY77 TO DOLS90,000 FOR ADJUSTMENTS TO BASE DUE TO INFLATIONARY UNCLASSIFIED

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SPIRAL AND INCREASED LABOR COSTS. REQUIRE DOLS100,000 IN FY78 IN ORDER TO MAINTAIN AT LEAST PRESENT LEVEL OF ACTIVITY. INFLATION, INCREASE IN OUT OF POCKET EXPENSES, ETC., REQUIRE AT LEAST 25 PERCENT INCREASE SINCE CONTRACTOR WILL BE EXPECTED TO PERFORM UNDER CONTINUATION CLAUSE AT SAME LEVEL FOR THREE YEARS ONCE WE GO OUT TO BID FOR P.R CONTRACTOR IN FY78.

7. PROGRAM 1640, JOURNALIST TOURS: ANY INCREASE COULD BE

EFFECTIVELY USED TO GENERATE INCREASED MEASURABLE RESULTS.  
HOWEVER, PROPOSED LEVEL OF DOLS97,000 FOR FY78 IS ADEQUATE.

8. PROGRAM 1740, AGENT TOURS: RAISE FY78 ALLOCATION TO AT LEAST DOLS55,000 IN ORDER TO ALLOW USTS/TOKYO PERSONNEL TO ESCORT ALL FUNDED AGENTS TOURS. RAISE IN FY77 ALLOCATION TO DOLS50,000-52,000 WOULD BE WELCOME FOR SAME REASON. INCREASE IN NUMBER OF TPC LOCATIONS AND SPECIALISTS TO 115 IN FY77, COUPLED WITH OUR EFFORTS TO PROMOTE U.S. SKI TOURS AND THE GREAT LAKES/MIDWEST/DEEP SOUTH AREAS FOR INCLUSION IN WHOLESALE AND SIT TOUR PACKAGES, REQUIRE AN INCREASED NUMBER OF AGENT FAM TOURS.

9. PROGRAM 1760, TOUR DEVELOPMENT: FY76 77 AND 78 LEVEL OF DOLS227,000 IS ADEQUATE. HOWEVER, STRONGLY RECOMMEND THAT HIGHER CEILING ON LOCAL TOUR DEVELOPMENT PROJECTS BE APPROVED. SUGGEST UP TO DOLS10,000 PER PROJECT. BY FY 78, TOKYO DESIRES TO OBLIGATE 30 TO 40 PERCENT OF TOTAL T.D. BUDGET TO LOCAL T.D. PROJECTS.

10. PROGRAM 1400, OFFICE OPERATIONS: SOME DOLS300,000 WILL BE REQUIRED IN FY78 TO COVER ANTICIPATED INCREASES IN ALL CATEGORIES CAUSED BY INFLATION AND FSL WAGE ADJUSTMENTS. ALSO, OFFICE RENT IS UP FOR RENEGOTIATION IN FY78 AT AN ESTIMATED INCREASE OF 15 TO 25 PERCENT.  
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